

# Chapter Resources and Activities

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## UNIT 3 THE AMERICAN ECONOMY AT WORK

### Chapter 7 Stocks and Bonds

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#### Enrichment Activities

**Activity 1:** Choose one or several stocks, and follow their progress over the course of a week or month. Information can be found on the Internet. Each day, have a member of the class find the stock in the newspaper, report on its worth, and chart it on a graph in the classroom.

**Activity 2:** Videotape the stock market news, and play it in class. Use the Internet to learn more about the stock market. Ask the students to interpret the news. What is meant by the Dow being up or down? What is meant by trading? What words do they hear that are familiar to them from reading the text? What is unfamiliar?

#### ESL Activity

Use blank cards or some other tangible items to help students visualize and understand the trading activity in the stock market. Designate students as stockbrokers, investors, and creditors. Walk them through various scenarios in which they exchange quantities (cards) of different types of stocks and bonds. Continually check their understanding by asking about their motivations and actions and the consequences of those actions.

## Words to Know

Choose the better ending for each sentence. Circle the letter.

1. *Bonds* are similar to
  - a. IOUs.
  - b. a demand curve.
2. A *capital gain* can be earned by
  - a. selling something that has increased in value.
  - b. losing money.
3. A *capital loss* results when
  - a. a profit is made.
  - b. investors must sell something for less than they paid for it.
4. *Common stock* gives the stockholder
  - a. guaranteed dividends.
  - b. the right to vote on company issues.
5. A *creditor*
  - a. uses credit cards frequently.
  - b. is a person or business that is owed money.
6. *Interest* is paid
  - a. by borrowers to lenders.
  - b. to everyone who invests in stocks or bonds.
7. To *invest* is to
  - a. sell a car.
  - b. use money to earn interest or income.
8. When someone makes an *investment*, they hope to
  - a. lose money.
  - b. make a profit on their investment.
9. People who hold *preferred stock*
  - a. get stated dividends from the company that issued the stock.
  - b. have a safer investment than they would with bonds.
10. *Securities* include
  - a. a savings account at a bank.
  - b. bonds.
11. A *stockbroker* will help you
  - a. buy stocks or bonds.
  - b. only if you have \$10,000 or more to invest.
12. The *stock market*
  - a. is the safest place to put your money.
  - b. is the place where stocks are traded.

# Comprehension Check

Choose the best answer. Circle the letter.

1. If a person is interested in having a say in how a company is run, that person should invest in

a. bonds.  
b. stocks.  
c. a savings account.

2. Which economic indicator tells how the stock market is doing?

a. the unemployment rate  
b. the standard of living  
c. the Dow Jones Industrial Average

3. What is a likely reason that people would buy bonds in a company that is having financial problems?

a. They want to help the company to succeed.  
b. The bonds may pay a very high rate of interest.  
c. There is very little risk in buying these bonds.

4. One good way to minimize your risks when investing is to

a. not listen to anyone.  
b. work with a stockbroker whom you trust.  
c. buy only common stock.

5. The stock listings give information on

a. the high and low price of a share in the last 52 weeks.  
b. what companies you should invest in.  
c. next year's stock prices.

Answer these questions by writing *yes* or *no* in each blank.

\_\_\_\_\_ 6. When you buy stock in a company, do you become a part owner?

\_\_\_\_\_ 7. Are U.S. government bonds a relatively safe investment?

\_\_\_\_\_ 8. Is it normal for a government to issue bonds in a market economy such as that of the United States?

\_\_\_\_\_ 9. Is a bondholder guaranteed to get back his or her initial investment?

\_\_\_\_\_ 10. Does preferred stock give the stockholder voting rights?

\_\_\_\_\_ 11. Are the biggest stock markets in the United States located in Los Angeles?

\_\_\_\_\_ 12. Is it possible for the Dow Jones Industrial Average to change in the course of a day?

## Write About It

Suppose you have \$10,000 to invest. You want to use it to earn a profit. You are willing to take some risks, but you cannot afford to lose all of your money in risky investments. Think about the advantages and disadvantages of the different kinds of investments you learned about in Chapter 7. Decide how much of the \$10,000 you would invest in each type of investment.

1. Would you invest in U.S. government bonds? If not, why not? If so, how much?  
\_\_\_\_\_  
\_\_\_\_\_
2. Would you buy bonds from a company having financial troubles if it paid very high interest? If not, why not? If so, how much?  
\_\_\_\_\_  
\_\_\_\_\_
3. Would you invest any money in common stocks or preferred stocks? If not, why not? If so, which type would you invest in? Why? How much would you invest?  
\_\_\_\_\_  
\_\_\_\_\_
4. Would you put any money in a savings account? If not, why not? If so, how much and why?  
\_\_\_\_\_  
\_\_\_\_\_
5. There are other types of investments. For example, some people buy things such as fine art, gold coins, or rare comic books. They hope that the price of these items will go up. If it does, they can sell their goods and make capital gains. Would you invest any of your \$10,000 into these items? If so, which item would you invest in? How much of your money would you invest? If not, why not? Write your answer on a separate sheet of paper.

# Building Skills

## Reading the Stock Listings

Below is a sample stock listing of an average week. See what you can learn from the listing. Look back at Chapter 7, pages 94 and 95, if you need help answering the questions.

Stock	Year High	Year Low	Div	Sales (Hds)	Last	Net Chg
Ross	33.50	3.62	.0	5419	10.25	- 9.25
Brown	16.25	1.50	.0	286	2.62	-12.25
SuTex	29	18	.90	67	27.75	+ .75
DiVan	35.87	12.87	1.00	173	23.25	+ 3
EnFil	24.62	3.62	.0	112	18.87	- 1.50

1. Which stock had the lowest price in the last year? What was the price per share? \_\_\_\_\_  
\_\_\_\_\_
2. Which stock paid the highest dividend? How much was the dividend per share? \_\_\_\_\_  
\_\_\_\_\_
3. Which stock was being sold at \$10.25 when the market closed? \_\_\_\_\_
4. Which stock went down the most in price over the last week? \_\_\_\_\_
5. How many shares of SuTex were sold on the day of this listing? \_\_\_\_\_  
\_\_\_\_\_

For questions 6 and 7, use a separate sheet of paper to figure out your answers.

6. You bought 100 shares of SuTex stock when it was at its lowest price in the last year. If you sold it at its highest price, would you earn capital gains? If so, how much?
7. You bought 100 shares of Ross stock at its highest price in the last year. If you sold it the day that the listing was written, would you have capital gains or capital losses? How much?

# Critical Thinking

## Compare and Contrast

For each of the following pairs, write one way in which they are alike. Then write one way in which they are different. Look back at Chapter 7 in your textbook if you need help.

**1. preferred stock and common stock**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**2. stocks and bonds**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**3. stock investor and stockbroker**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**4. stockholder and bondholder**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**5. capital gain and capital loss**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**6. bull and bear**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

**7. government bonds and company bonds**

Alike: \_\_\_\_\_

Different: \_\_\_\_\_

# Reading and Comprehension

Read the following article. Then circle the letter of the best answer to each of the questions.

## Junk Bonds

Companies having financial difficulty often have a hard time finding investors to lend them money. Sometimes, such companies will offer bonds at very high interest rates. They hope that investors will want to buy these bonds because the possible benefits of investing will outweigh the risks.

These high-interest, high-risk bonds are often called "junk bonds." Junk bonds are issued by a company that is considered to be a higher credit risk. This means that investors can make a big profit. However, they also risk losing their investment if the company that issued the bonds goes out of business. Many investors in the 1980s invested in junk bonds. When some of the companies that had offered the bonds went out of business, the junk bonds became worthless. Investors who had bought those bonds lost a lot of money. Some investors were aware of the risks, and some were not. Either way, they lost. Despite this, many junk bonds recovered in the 1990s.

1. A junk bond is best described as

- a. a low-risk, high-interest investment.
- b. a high-interest, high-risk investment.
- c. an investment in a garbage company.

2. Why would people invest in "junk bonds"?

- a. They do not care if they lose their investment.
- b. They are willing to take a risk to make a big profit.
- c. They have no other use for their money.

3. If a company is having financial difficulty, why would it offer bonds at a high interest rate?

- a. because it does not want to borrow money from banks
- b. because investors would not choose to buy its bonds if they were offered at a low interest rate
- c. because investors want to give away their money

4. Why might people today be more cautious about investing in junk bonds than they used to be?

- a. People know less now than in the 1980s.
- b. Investors no longer want to earn lots of money.
- c. Many people who invested in junk bonds in the 1980s lost their money.

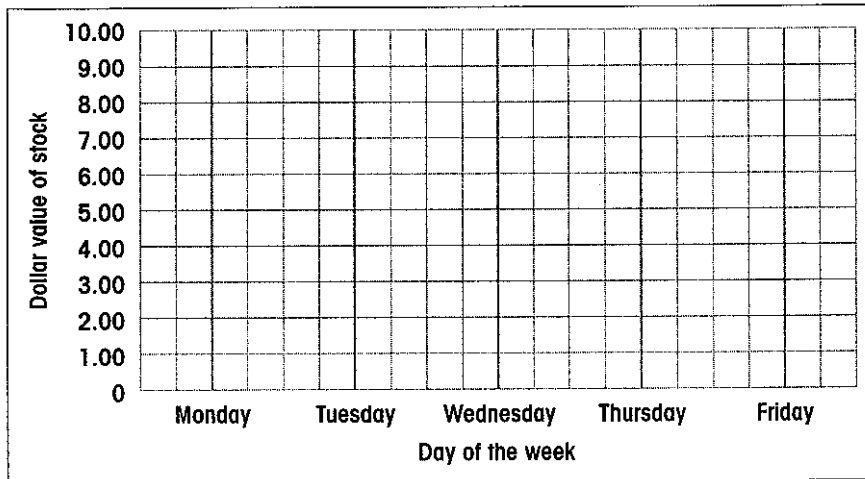
5. Many people lost their investments because

- a. they were afraid of the risks.
- b. they had forgotten where they kept the bonds.
- c. some companies that offered the junk bonds failed.

# Challenge

## Using a Graph to Track Stocks

The stock listings in your daily newspaper give the closing price of most stocks each day. One way to track whether your stock is gaining or losing value is to create a graph. In this exercise, you will chart the value of an imaginary stock.



Stock	M	T	W	T	F
Sunrise	\$5	\$4	\$5	\$5	\$4
Videorama	\$5	\$4	\$3	\$2	\$3
Epigram	\$5	\$7	\$6	\$5	\$7

- Choose one of the stocks from the chart.  
Which stock did you choose?

\_\_\_\_\_

- Suppose you buy one share of that stock for \$5 on Monday morning. Plot the closing prices given for your stock each day for one week. Put a point on the chart above to show the dollar value of your stock on Monday. Do the same for the rest of the days of the week. Finally, connect the dots.

- Overall, did your stock tend to go up or down in value?

\_\_\_\_\_

- Suppose you sold your stock on Friday. Would you make a profit or take a loss?

\_\_\_\_\_

\_\_\_\_\_

- Chart the stocks that you did *not* choose on the graph. Use a different color pen or pencil for each stock. Which stock did best for the week?

\_\_\_\_\_



## Chapter 7 • Test A

**A. Match each term with its description. Write the correct letter on the line.**

- |                          |   |
|--------------------------|---|
| _____ 1. common stock    | a. stocks or bonds  |
| _____ 2. preferred stock | b. a person or business that is owed money                          |
| _____ 3. securities      | c. money earned by selling something for more than you paid for it  |
| _____ 4. investing       | d. stock that gives dividends but no voting rights                  |
| _____ 5. capital gain    | e. stock that gives voting rights but may or may not give dividends |
| _____ 6. creditor        | f. using money to make interest, income, or profit                  |

**B. Read each statement. Write *F* if it is a fact. Write *O* if it is an opinion.**

- \_\_\_\_\_ 7. Preferred stock is always better than common stock.
- \_\_\_\_\_ 8. Money lost from an investment is called a capital loss.
- \_\_\_\_\_ 9. The stock market is too risky for young investors.

**C. Choose one of the essay topics below. Write your answer in a paragraph on a separate sheet of paper.**

10. a. Compare the risk of buying stock, buying bonds, and putting money in a savings account.
- b. Explain how the Securities Exchange Commission (SEC) protects investors.

## Chapter 7 • Test B

Choose the one best answer to each item.

Items 1 to 4 refer to the following article.

### China Gets a Securities Exchange

In late 1990, the opening of the Shanghai Securities Exchange attracted attention around the world. China has mainly a command economy, and most of its business is controlled by the government. By allowing a securities exchange to operate, the government gave up some of its control of the nation's economy. As in the former Soviet Union, there have been changes in the past decade in China. It has been influenced by capitalism, which is practiced in the United States and many other countries.

At this time, only bonds can be traded at the Shanghai Securities Exchange. So, it is quite different from the New York Stock Exchange. If companies were allowed to sell stock, ownership of companies would go to the public. In China, the government owns all companies. Someday, China may decide to become even more of a market economy. Then the Shanghai Securities Exchange may permit the trading of stocks as well as bonds.

1. What is the main point of this story?
  - (1) The Chinese people can now get rich selling bonds.
  - (2) China is now a market economy and has stopped being a command economy.
  - (3) The new securities exchange in China could signal a change in that country's economic system.
  - (4) The former Soviet Union is now made up of capitalist countries.
  - (5) none of the above
2. Why was it significant that China was allowing a securities exchange to operate?
  - (1) China was mostly involved in selling goods, so it was very unusual for it to sell a service.
  - (2) Bonds are usually a good investment.
  - (3) The government was giving up some of its control of the nation's economy.
  - (4) The government was finally allowing stock to be sold.
  - (5) 1 and 4
3. In 1990, how was China different from countries with a market economy, such as the United States?
  - (1) The U.S. economy was much more controlled by the government.
  - (2) There were many more people in China.
  - (3) It was not really very different from a market economy.
  - (4) The Chinese government allowed more economic freedom.
  - (5) The Chinese economy was more controlled by the government.
4. Why would the Chinese government *not* allow stocks to be traded at the new exchange?
  - (1) It wanted to keep ownership of all Chinese companies.
  - (2) It did not want Chinese citizens buying stock in American companies.
  - (3) Stocks were considered too risky.
  - (4) There were too few Chinese companies to make a stock market worthwhile.
  - (5) all of the above

**7 Reading the Stock Listings****Exercise 25***Skill Practice*

Find a sample stock market listing from your local newspaper or on the Internet. Choose any group of three listings. See what you can learn from the listing. Review Chapter 7 in your textbook, pages 94 and 95, if you need help. Use the information in the newspaper or online to fill in the chart below. Then attach your stock listing to this page.

Stock Market Listings						
Stock	Year High	Year Low	Div	Sales (Hds)	Last	Net Chg
1. _____	_____	_____	_____	_____	_____	_____
2. _____	_____	_____	_____	_____	_____	_____
3. _____	_____	_____	_____	_____	_____	_____

- Which stock had the highest price in the last year? What was the price per share?  
\_\_\_\_\_
- Which stock paid the lowest dividend? How much was the dividend per share?  
\_\_\_\_\_
- Which stocks, if any, are preferred stocks? How can a reader tell?  
\_\_\_\_\_
- Which stock sold the most shares on the day of this listing?  
\_\_\_\_\_
- Which stock had the biggest net change?  
\_\_\_\_\_
- If you could, would you invest in any of the stocks listed above? If yes, which one and why? If not, why not?  
\_\_\_\_\_
- Look at the first listing on your chart. Suppose you bought 100 shares of that stock when it was at its lowest price in the last year. If you sold it at its highest price, how much would your capital gain be?  
\_\_\_\_\_

Choose from the terms in the box. Write the correct word after each definition.

invest	preferred stock	common stock	capital gain	capital loss
stockbroker	stock market	bond	creditor	securities

1. Stock that offers the stockholder fixed dividends but does not give the stockholder voting rights \_\_\_\_\_
2. An IOU (the person who buys it is lending money to the government or corporation that sells it) \_\_\_\_\_
3. The money lost when you sell something for less than you paid for it \_\_\_\_\_
4. Stocks or bonds \_\_\_\_\_
5. A person or business who is owed money \_\_\_\_\_
6. A place where stocks and bonds are traded \_\_\_\_\_
7. To use money to earn interest or income in the hopes of making a profit \_\_\_\_\_
8. The money earned when you sell something for more than you paid for it \_\_\_\_\_
9. Stock that gives the stockholder voting rights but may or may not offer dividends \_\_\_\_\_
10. A person who is licensed to buy and sell stocks and bonds for other people \_\_\_\_\_

**7 Learning About the Stock Market****Exercise 27***Critical Thinking*

Answer the questions below. Share your own views.

1. Would you want the job of a stockbroker? Why or why not?

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2. If you had \$1,000 to invest, what would you do with it? Give reasons for your answer.

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3. If you were thinking of buying stocks or bonds, what steps would you take to reduce your risks?

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4. Would you rather own shares of preferred stock or common stock? Why?

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5. Suppose two companies offer you the same job. Company A pays a little less than usual but gives shares of stock to its employees. Company B pays a little more than usual but does not give shares of stock to its employees. Which would you choose, and why?

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6. What do you think is the most important thing people need to remember when it comes to investment? Why?

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You are a stockbroker. Someone comes to you looking for information about investing. What information and advice will you give them? Answer the questions below.

1. This is all new to me. What is a stockbroker?

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2. How can I make money buying and selling stock?

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3. Can I be sure of making lots of money on the stock market? Why or why not?

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4. I have heard of preferred stock and common stock. What is the difference?

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5. Are stocks and bonds pretty much the same thing? How are they different?

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6. I want to know what the stock market is doing every day. What are two ways that I can do this?

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# Answer Key Workbook

## Chapter 7

### Exercise 42 Critical Thinking

1. a. Shifts to the left; b. Goes down at first; to encourage people to go to movies more; c. Yes. The demand goes down. d. Yes. The demand could go up. 2. a. A surplus; b. Lower the price; 3. a. A shortage, or increased demand; b. The price of the cereal would likely go up.

### Exercise 43 Challenge

1. \$18 per umbrella vs. \$2 per umbrella; 2. The weather; 3. Shortage; 4. The store owner can charge more. 5. Surplus; 6. The store owner must charge less. 7. Answers will vary.

### Exercise 44 Chapter 5 Test A

A. 1. a; 2. e; 3. c; 4. b; 5. d; B. 6. True; 7. False; 8. False; 9. True; C. 10a. Consumers help to set prices by what they are willing and able to pay. Consumers do not set prices alone. Together, consumers and producers, buyers and sellers set prices. 10b. There is less demand than supply. Eventually, the producer may cut the supply or the seller may sell at a reduced price to get rid of the inventory.

### Exercise 45 Chapter 5 Test B

1. (3); 2. (1); 3. (5); 4. (3); 5. (1)

## UNIT 3 THE AMERICAN ECONOMY AT WORK

### Chapter 6 American Business

#### Exercise 46 Words to Know

1. d; 2. i; 3. h; 4. c; 5. f; 6. a; 7. j; 8. g; 9. e; 10. b; 11. k; 12. Stockholders, stock; 13. Sole proprietorship; 14. Loss, revenues; 15. Board of directors

#### Exercise 47 Comprehension Check

1. Sole proprietorship, partnership, corporation; 2. Sole proprietorship and partnership; 3. Corporation or a partnership with two or more partners; 4. Businesses pay workers wages. 5. Consumers purchase goods and services. 6. False; 7. False; 8. True; 9. False; 10. True; 11. False; 12. False

#### Exercise 48 Write About It

1.-2. Answers will vary.

#### Exercise 49 Building Skills

1. Corporations; 2. Sole proprietorships; 3. Partnerships; 4. A corporation; 5. A sole proprietorship

#### Exercise 50 Critical Thinking

A. Next to "businesses" should be: 1, 7, 8. Next to "households" should be: 3, 6, 12. Next to "money

that goes from businesses to households" should be: 2, 5, 10. Next to "money that goes from households to businesses" should be: 4, 9, 11. B. Answers will vary.

### Exercise 51 Reading and Comprehension

1. b; 2. a; 3. c; 4. b; 5. c

### Exercise 52 Challenge

A. 1.-6. Answers will vary. B. Answers will vary.

### Exercise 53 Chapter 6 Test A

A. 1. Corporation; 2. Board of directors; 3. Dividend; 4. Revenue; 5. Loss; 6. Circular flow of income; B. 7. c; 8. b; 9. a; C. 10a. Chain: Receives a fee and part of the revenue from the outlet. Group or individual: Can use company name and products, receive advice and training. 10b. Advantages: Many owners (stockholders), opportunity for growth, protection from losing personal property in lawsuit. Disadvantages: profits taxed twice, hard to set up, stockholders have little power.

### Exercise 54 Chapter 6 Test B

1. (2); 2. (4); 3. (3); 4. (4); 5. (2)

## Chapter 7 Stocks and Bonds

### Exercise 55 Words to Know

1. a; 2. a; 3. b; 4. b; 5. b; 6. a; 7. b; 8. b; 9. a; 10. b; 11. a; 12. b

### Exercise 56 Comprehension Check

1. b; 2. c; 3. b; 4. b; 5. a; 6. Yes; 7. Yes; 8. Yes; 9. No; 10. No; 11. No; 12. Yes

### Exercise 57 Write About It

1.-5. Answers will vary.

### Exercise 58 Building Skills

1. Brown, \$1.50; 2. DiVan, \$1.00; 3. Ross; 4. Brown; 5. 6,700; 6. Yes; \$1,100; 7. Capital losses; \$2,325

### Exercise 59 Critical Thinking

1.-7. Answers will vary.

### Exercise 60 Reading and Comprehension

1. b; 2. b; 3. b; 4. c; 5. c

### Exercise 61 Challenge

1.-5. Answers will vary based on stocks selected. Epigram did the best for the week.

### Exercise 62 Chapter 7 Test A

A. 1. e; 2. d; 3. a; 4. f; 5. c; 6. b; B. 7. O; 8. F; 9. O; C. 10a. Stock: Risk is great. You can make lots of money or lose all your money. Bonds: Safer than stocks, but if the company goes out of

business, you can lose all your money. Savings Account: Your money is safe, but there is less opportunity for big gains. **10b.** The SEC protects investors by regulating the trading of securities. It tries to prevent unfair gains from the use of inside information. It requires issues of stocks and bonds to register with the government and investigates possible crooked schemes.

### Exercise 63 Chapter 7 Test B

1. (3); 2. (3); 3. (5); 4. (1)

## Chapter 8 Competition

### Exercise 64 Words to Know

1. b; 2. c; 3. a; 4. d; 5. b; 6. b; 7. a; 8. b; 9. b

### Exercise 65 Comprehension Check

1. False; 2. True; 3. True; 4. False; 5. False; 6. True; 7. True; 8.-10. Answers may vary but should include the following information:  
8. Competition forces companies to sell their goods or services at prices close to the cost of making them.  
9. Producers that are in perfect competition sell very similar goods or services. 10. Some types of monopolies are not allowed in the United States.

### Exercise 66 Write About It

1.-3. Answers will vary.

### Exercise 67 Building Skills

1. a; 2. d; 3. b; 4. c; 5. b

### Exercise 68 Critical Thinking

A. 1. a; 2. c; 3. e; 4. b; 5. d; B. 6. The airlines are somewhere in between. Competition is limited, and it is difficult to start up a similar business. However, they do force each other to compete, so they are not a monopoly.

### Exercise 69 Reading and Comprehension

1. b; 2. c; 3. b; 4. c

### Exercise 70 Challenge

A.-C. Answers will vary.

### Exercise 71 Chapter 8 Test A

A. 1. c; 2. a; 3. b; 4. d; B. 5. True; 6. False; 7. False; 8. True; 9. True; C. 10a. (1) Many buyers and sellers. (2) Some good or service. (3) Easy for producers to set up business. (4) Easy for consumers to find information. 10b. They offer different warranties, advertise different advantages, and offer lower price schemes. Sometimes a location is especially attractive to consumers.

### Exercise 72 Chapter 8 Test B

1. (4); 2. (3); 3. (5); 4. (5); 5. (4)

## Chapter 9 Workers and Wages

### Exercise 73 Words to Know

1. Minimum wage; 2. Automation; 3. Wages; 4. Labor force; 5. Robots; 6. b; 7. a; 8. c; 9. b

### Exercise 74 Comprehension Check

1. b; 2. c; 3. b; 4. c; 5. b; 6. True; 7. False; 8. True; 9. False; 10. True; 11. True; 12. False

### Exercise 75 Write About It

Answers will vary.

### Exercise 76 Building Skills

1. b; 2. a; 3. c; 4. a

### Exercise 77 Critical Thinking

A.-B. Answers will vary.

### Exercise 78 Reading and Comprehension

1. c; 2. b; 3. a; 4. c; 5. a

### Exercise 79 Challenge

1. Percentage of mothers in labor force with children under 6 years of age; 2. 18%; 3. 56%; 4. 52%; 5. It increased; 6. Answers will vary.

### Exercise 80 Chapter 9 Test A

A. 1. Robots; 2. Labor force; 3. Automation; 4. Wages; 5. Minimum wage; 6. Subminimum wage; B. 7a. C; 7b. E; 8a. E; 8b. C; 9a. C 9b. E; C. 10a. Some industries are growing because there is a greater need for their goods or services. More older people means that industries that serve them will grow. Advances in electronics for home and businesses mean that the electronics industry will grow. 10b. People who are more productive get better wages. If a company is more productive, all the workers may get better wages.

### Exercise 81 Chapter 9 Test B

1. (4); 2. (5); 3. (2); 4. (4)

## Chapter 10 Labor Unions

### Exercise 82 Words to Know

1. Labor unions; 2. Fringe benefits; 2. Boycott; 4. Strike; 5. Scab laborers; 6. Lockout; 7. Collective bargaining; 8. Arbitration; 9. c; 10. d; 11. a; 12. g; 13. e; 14. b; 15. f

### Exercise 83 Comprehension Check

1. c; 2. b; 3. b; 4. c; 5. a; 6. c; 7. a; 8. b; 9. a

### Exercise 84 Write About It

1.-6. Answers will vary.



# Worksheet / Exercise Answerkey

## Exercise 16

1.-2. Answers will vary. 3. Labor supply might increase. 4. Answers will vary. Students may decide to look for another job that pays more.

## Exercise 17

1. \$20 2. The equilibrium price will rise as demand increases and shortages result. 3. Answers will vary but should refer to a decrease in demand. 4. Pat will lower prices; equilibrium prices will also drop.

## Exercise 18

1. A shortage; raise prices 2. Lower prices; demand will increase 3. Answers will vary, but should reflect the way consumers and sellers negotiate to set equilibrium prices. 4. Answers should refer to the link between higher demand and higher prices.

## Exercise 19

1. A shortage; the law of supply and demand 2. A surplus; the law of supply and demand 3. Answers should explain the decrease in demand for, and price of, the product. 4. Answers will vary but should refer to the increased demand for, and shortage of, construction, hotel services, or housing. 5. There is a lower demand for coats in August and a higher demand for coats in November.

## Exercise 20

1.-7. Answers will vary.

## Exercise 21

1.-6. Answers will vary.

## Exercise 22

1. Corporation 2. Sole proprietorship 3. Corporation 4. Corporation 5. Partnership 6. Sole proprietorship 7. Partnership 8. Sole proprietorship 9. Corporation

## Exercise 23

1. Partnership 2. Ashley means that when the amount of money coming in to a business is less than the cost of running that business, the business shows a loss. 3. Answers will vary but might refer to cutting labor costs, lowering prices even more, or creating demand through advertising. 4. Answers will vary.

## Exercise 24

Articles will vary.

## Exercise 25

Stock listings and answers will vary but should reflect a clear understanding of the headings on the table.

## Exercise 26

1. Preferred stock 2. Bond 3. Capital loss 4. Securities 5. Creditor 6. Stock market 7. Invest 8. Capital gain 9. Common stock 10. Stockbroker

## Exercise 27

1. Answers will vary but should refer to the responsibilities of and opportunities in selling stocks. 2. Answers will vary. 3. Possible answers include asking for information in order to find a trustworthy stockbroker, thinking about a broker's advice carefully and reading about stock market events. 4. Answers will vary but should refer to differences in voting rights and dividends. 5. Answers will vary. 6. Answers will vary.

## Exercise 28

1. A stockbroker is a person who is licensed to buy and sell stocks and bonds for other people. 2. Answers should show how supply and demand can drive up the price of shares in a business, making the share worth more than it originally cost the shareholder. 3. No, there are no guarantees. The value of shares can go up or down, depending on whether the business shows a profit or a loss. 4. If you buy preferred stock, you receive a fixed dividend each year, but you cannot vote at annual stockholders' meetings. If you buy common stock, you can vote and you may get a dividend, but the dividend may be lowered or even cut. 5. No, unlike a stockholder, a bondholder does not own part of a company, but he or she makes an interest-bearing loan to the government or company that sells the bond. 6. Possible answers include reading the financial section of the newspaper, watching or listening to news or business programs, and consulting with your stockbroker.

## Exercise 29

1. b, e, h 2. a, c, d, g 3. a, c, d, f, g, i

## Exercise 30

1. In this story, competition means that the sellers of the similar goods (books) each try to get consumers to buy their products. 2. The other bookstore owners lowered their prices too, and profits for all the bookstore owners went down. 3. Becky offered something that the other bookstore owners did not: a comfortable reading room and free coffee. 4. Answers will vary but should reflect good business sense.

## Exercise 31

1. Answers will vary but should refer to prices, locations, hours, quality, and type of good or service, as well as other factors that would influence consumer choice. 2.-3. Answers will vary.

## Exercise 32

1.-5. Consumer reports will vary.

## Exercise 33

1.-2. The labor force is made up of those 16 years old and older who are either employed or looking for work. It does not include people who choose not to